

The Honorable Jim Nussle
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515-6065

Dear Mr. Chairman:

Thank you for the opportunity to provide to the Committee information regarding the nature and scope of waste, fraud and abuse within programs and operations of the General Services Administration (GSA). As further requested, I will also discuss actions taken to eliminate or reduce these problems.

For clarification, GSA does not have major mandatory spending programs.¹ Instead, GSA is principally a service organization whose mission is to help Federal agencies by arranging for the acquisition of goods, services and facilities they need to carry out their own unique program missions. Agency operations are underwritten from the fees received from customer agencies supplemented by small amounts of appropriated funds covering some administrative and staff costs.

The GSA Organization and Programs

I believe it is useful to the understanding of the issues to first explain the nature and size of GSA's major programs.

Federal Supply Service. The Federal Supply Service (FSS) has more than 10,000 commercial suppliers under contract ready to provide Federal customers any one of over 4 million products and services when needed. In 2002, this contract program generated over \$21 billion in sales. In addition, FSS also manages a \$1 billion supply activity which stocks items critical to national defense, natural disasters and other strategic purposes as well as managing a 188,000 vehicle fleet which last year experienced business volumes of over \$2 billion.

Federal Technology Service. The Federal Technology Service provides telecommunications services, information technology and information security services to Federal agencies on a fee for service basis. Revenues for fiscal year 2002 were: (1)

¹ Under Public Law 107-252, The Help America Vote Act of 2002, GSA was designated responsibility for disbursing \$650 million to the states, District of Columbia, and the Territories to implement various improvements to the Federal election process, including the replacement of voting equipment. As of July 7, 2003, GSA had disbursed \$649.5 million. The Act establishes the Elections Assistance Commission to carry out other provisions under the Act and make further disbursements.

Telecommunications Networks - \$950 million; and (2) Technology Equipment, Services and Management - \$6 billion.

Public Buildings Service. The Public Buildings Service (PBS) provides workspace for 1.1 million Federal employees housed in over 8,000 owned and leased facilities nationwide. PBS is responsible for construction, repairs and alterations, lease acquisitions, buildings operations and real property disposal. In fiscal year 2002, PBS collected fees in excess of \$7.6 billion from its customers and paid contractors over \$6.8 billion to provide the goods, services and facilities needed to meet its customers' housing needs.

As one can see from the above descriptions, GSA is very much akin to a large commercial enterprise. Its \$40 billion in business activity involving more than 15,000 commercial firms and their employees, all managed by 12,000 federal employees, creates an environment that understandably has inherent risks to waste, fraud and abuse. That fact is evidenced by data reported by our office in our Semiannual Reports to the Congress for fiscal year 2002 and the first half of 2003:

• Criminal indictments and information	63
• New cases accepted for criminal prosecution	72
• New cases accepted for civil action	23
• Individuals/contractors suspended or debarred from competing for additional government contracts	172
• Administrative actions taken against employees	55
• Fines, settlements and restitutions	\$10.3 million
• Funds or property recovered	\$ 2.2 million
• Management decisions on audit recommendations that funds be put to better use, or questioned costs	\$ 292 million

We, along with GSA management, are committed to taking measures to continue to address waste, fraud, and abuse in agency operations and reduce the amount of dollars lost. I would like to highlight for the committee a few of the key efforts underway to address problem areas.

The Management Challenges

Each year, our office prepares for GSA management officials and the Congress an assessment of the major challenges facing the agency and what efforts have been taken to address them. Four of these challenges are especially relevant to this discussion:

Management Controls. The establishment of sound internal controls. In recent years, the agency has moved to streamline procedures and controls. These new processes make it essential that the few broad controls in place are consistently followed. Failure to do so is costly. For example, employees in one program directed contractors to provide additional services to client agencies. The orders were verbal and unrecorded in either the administrative or financial records. The failure to complete the control documents

resulted in GSA having to pay \$1.9 million to the contractors with no means to obtain repayment from the customer agencies.

Procurement Activities. With acquisition services being at the heart of GSA's business activities, weaknesses in procurement planning, negotiation or contract administration can have serious consequences; some brief examples from our work follow:

- A poorly crafted selection plan led to the selection of a marginally suitable contractor. Project delays occurred soon after, work became disorganized and costs started to rise because of delays and rework.
- Contracting officers creating contracts available for all agencies to use did not avail themselves of all the resources they could to establish the best prices, resulting in Federal customers paying for some items 5, 10 percent or more than their commercial peers.
- Personnel responsible for providing oversight of contractors' work did not require milestones or other means to assess project progress. Only months later it was learned that work was behind schedule and way over budget.
- A contractor hired as a construction project executive and another contractor engaged to provide quality assurance services for a GSA project were investigated and prosecuted for accepting over \$80,000 in bribes from a prospective firm seeking a multimillion dollar subcontract related to a Federal construction project.
- A contract manager whose performance evaluation was heavily weighted toward developing new business, awarded work to existing contractors who did not have suitable experience to meet the new requirement. The projects incurred at least \$3 million in excess costs.

Human Capital Issues. GSA, like other agencies, is losing its corporate knowledge base and most experienced personnel to retirement and at the same time has a shortage of personnel with skills necessary to function in the 21st century business environment. In several cases, personnel without the appropriate training or requisite skills have been given responsibilities well beyond their abilities to handle them. For example:

- A project manager placed a work order under the wrong type of contract causing the government to pay \$288,000 for tasks that could have been obtained for less than \$60,000 under a more suitable contract.
- An inexperienced contracting official agreed to a contractor's request for reimbursement of several administrative and general expenses associated with an existing contract. Subsequent evaluation found these costs were already considered in establishing the prices for the basic contract.

Aging Federal Buildings. More than half of GSA's Government-owned buildings are over fifty years old, and it is estimated that it would take several billion dollars in renovations to bring the inventory up to building standards. Older buildings are energy inefficient and lack the physical infrastructure necessary to support modern business operations. Without necessary funds to modernize, these marginal spaces often are

underutilized or vacant and, they are excessively costly to operate and produce little or no revenue.

Other Measures

In addition to our office's mission and programs aimed at eliminating waste, fraud and abuse, GSA management works with us to enhance controls and exercise oversight to discourage wrongdoing and reduce errors. Our office, along with the agency's most senior leaders, comprise the Management Control and Oversight Council responsible for meeting the requirements of the Federal Managers' Financial Integrity Act and more recently used as a forum to discuss issues raised by the Office of Inspector General, the General Accounting Office, our public accountant and other evaluators. The Council, more importantly, designs corrective action plans and oversees implementation plans to help the agency move forward.

I trust this presentation has been useful to the Committee. We would be pleased to discuss more fully any of the issues raised or respond to any questions members of the Committee may have. If I may be of personal service, please feel free to contact me on (202) 501-0450.

Sincerely,

Daniel R. Levinson
Inspector General